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Material Doubt Guidance changes due to implementation of Modification P448

Imbalance Settlement Group (ISG)

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Summary

Under Modification P448, Firm Load Shedding instructions to gas Generators will be settled as Bids in the event of a Gas Supply Emergency. This requires NG ESO to send this Bid data to Elexon within 2 business days so it can be included in the Interim Information (II) Settlement Run calculations for that Settlement Day.

To limit the effect on Parties of any delays in NG ESO submissions, changes to the Material Doubt guidance are needed to cover Parties who find their credit position impacted. We suggest adding a further example to the Material Doubt Guidance, and invite the ISG to note this proposed change.

1. Background on Modification P448

1.1 Modification P448 was raised by Scottish and Southern Energy (SSE) on 28 September 2022, and requested that it be treated as an Urgent Modification.

1.2 The Panel voted unanimously to recommend to the Authority that P448 should be treated as an Urgent Modification Proposal, and a letter was sent to the Authority on 29 September 2022. The Authority confirming P448 should be progressed on an urgent basis on 3 October 2022.

1.3 This modification proposed to address risks in gas shortages due to the war in Ukraine by allowing Firm Load Shedding instructions to be settled as Bids in the event of a Gas Supply Emergency. These bids are referred to as Network Gas Supply Emergency Acceptances (NGSEA).

1.4 Such an event will mean gas Generators are likely to incur massive Imbalance Charges and Credit Cover requirements, potentially causing them to become insolvent. In addition, the risk of gas shortages may force gas Generators to reduce output, reducing liquidity in electricity markets, and raising costs for consumers.

1.5 Further details can be found on the P448: Mitigating Gas Supply Emergency Risks page of the Elexon website.

2. Impact of P448 on Credit Cover

2.1 P448 requires NG ESO to send the necessary Bid Offer Acceptance (BOA) data to Elexon within 2 business days of the NGSEA, so it can be included in the Interim Information (II) Settlement Run calculations for that Settlement Day.

2.2 Failure to do so before the II Settlement run will causes issues for Parties credit position, as they will be exposed to large imbalance charges. This will continue until the BOA data is submitted and the Parties imbalance position corrected.

2.3 Although charges will net out once this BOA data is received, impacted Parties will have to potentially lodge large amounts of additional credit collateral to cover for this lag in receiving the data from NG ESO.

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3. Material Doubt Guidance

3.1 Material Doubt[1] Guidance does not explicitly call out missing BOA volume submissions, due to a Gas Supply Emergency event, as a valid reason for Parties claiming Material Doubt.

3.2 Elexon proposes adding an additional bullet point under the “Examples” show in the ‘On What Grounds Can I Claim Material Doubt?’ section to specifically mention these NGSEA related BOA volumes, with the suggested text of:

- *Missing or late Bid Offer Acceptance (BOA) submissions related to Network Gas Supply Emergency Acceptances (NGSEAs), which are subsequently not incorporated as part of the II Run.*

4. Recommendation

4.1 We invite the ISG to:

a) **NOTE** the rewording of the Material Doubt Guidance to include references to missing BOA volume submissions, due to a Gas Supply Emergency event, as a valid reason for Parties claiming Material Doubt.

Attachments

ISG262/01A - Red-lined version of updated Material Doubt Guidance document

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[1] BSC Section M

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